

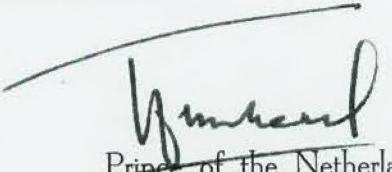
Soestdijk Palace, December 1965

Dear Mr Harris

Hague file

I have the honour to invite you to the next Bilderberg Meeting which will be held at the Hotel "Nassauer Hof" at Wiesbaden in Germany on 25, 26 and 27 March 1966.

You will find the agenda for this conference at the inside.


Prince of the Netherlands

R.S.V.P. Bilderberg Meetings
1 Smidswater, The Hague

From the Collection of
THE HON. FRED HARRIS

AGENDA

- I. Should NATO be reorganised and if so how?
- II. The future of world economic relations especially between industrial and developing countries.

THE FUTURE OF WORLD ECONOMIC RELATIONS,
ESPECIALLY BETWEEN INDUSTRIAL
AND DEVELOPING COUNTRIES

J. Tinbergen
Rotterdam, January 1966.

From the Collection of
THE HON. FRED HARRIS

THE FUTURE OF WORLD ECONOMIC RELATIONS,
ESPECIALLY BETWEEN INDUSTRIAL
AND DEVELOPING COUNTRIES

S U M M A R Y

1. Introductory.

Two ways of looking at the future - assumptions made - sources of information - convergency between Western and communist Europe - no need to fear a depression.

2. Some main problems to be expected.

Increasing gap in well-being between industrial and developing countries - role of population explosion - increasing unemployment and hunger in developing countries - trade gap to be filled in 1970 estimated at \$ 20 bln, in 1975 \$ 32 bln - some background figures - industries in which developing countries will obtain comparative advantages - food problem - impact of population explosion - some favourable factors in development - nevertheless, reason for concern.

3. Some solutions within reach.

Extension of financial assistance to some \$ 15 bln, partly automatic, partly by IDA disbursements - less protection of European agriculture and textiles - buffer stocks for some more products - increased private investment to be helped by insurance against political risks - need for training of all kinds, for less red tape and westernized tax policies in developing countries - need for a clear delineation of the public and private sectors in such countries.

THE FUTURE OF WORLD ECONOMIC RELATIONS,
ESPECIALLY BETWEEN INDUSTRIAL
AND DEVELOPING COUNTRIES

1. Introductory.

There are two ways of looking at the future. One is known as forecasting and usually rests on the assumption that no fundamental changes are made in economic policies. A forecast tries to indicate the most probable development and in a way, therefore, requires prophetic gifts. The other way of looking at the future, sometimes called planning, aims at indicating the most desirable development. In a way this second approach to future events is simpler and does not need knowledge about unforeseen events to the extent needed for a good forecast. Rather "a plan" must be based on notions about the needs of people and the means to obtain optimal wellbeing¹⁾. The use of the word "planning" in this context does not imply that a policy of detailed intervention is suggested; today we also speak of planning for any type of economic policy and for most countries this only means a moderate degree of intervention by public authorities.

Even so, it has to be admitted that some assumptions have to be made about a number of uncertain elements which possibly may play their role in the period to be discussed. It is clear enough, therefore, that any statement on the future of world economic relations must start from some assumptions.

1) Of course things are not quite that simple. Some of the unforeseen events will influence also a plan, that is, the most desirable development. If some of these events are, for instance, new discoveries of national resources or new inventions, the most desirable development may well be more favourable than originally assumed. If the unexpected events imply a considerable deterioration in conditions, they may make the most desirable development as originally seen just impossible. But in the middle range of not so very favourable or not so very unfavourable unexpected events we will try simply to counteract them if they arrive and to stick to our original "plan". This is true in particular for temporary deviations from expectations, such as crop variations, cyclical movements in demand or minor random events.
Another way of saying all this is that unexpected events simply cannot be taken into account in a plan, but, if persistent, will lead to change in a plan after they have occurred.

Thus, we will assume that a major military conflict can be avoided, that the development of population numbers will not show any dramatic changes, or that technology will be completely revolutionized and so on. Even so, everybody will be aware of the disturbances which may occur and can hardly be foreseen. Even if no major conflict occurs, there may be smaller ones; the attempts now under way to get under control the population explosion may be less successful or more successful than we now assume; automation may be less important than some of us think or more dangerous than others seem to hold. Political decisions such as the ones taken by the president of the French republic are not easy to forecast precisely and even some of the cultural tendencies of the West may have unexpected consequences for, say, the general efficiency of our labour force²⁾.

The sources of our information on future events are essentially twofold: on the one hand we have a number of careful but slightly traditional analyses made by various research institutes, including a number of United Nations agencies or for instance the (American) Agency for International Development (AID). The virtue of these analyses is that they try to be realistic in the light of previous experiences and consistent in their assumptions. Another source of information is provided by the imaginative minds of individual thinkers who try to introduce into the picture some of the conceivable changes of a more fundamental character. As an example I would like to quote an author as Jean Fourastié, who impressed the economic profession with some of the novel ideas he launched, or simply a man like H.G. Wells who impressed all of us.

In the present analysis we will mostly rely on the first source leaving it to the imagination of our readers to introduce elements from the second type of source.

Before dealing with our subject in a more direct way, we want to mention one major factor that is bound to influence our subject, namely the evolution of thinking in the communist world. On the one hand it becomes every day clearer

2) One may wonder, for instance, when the increasing frequency of printing errors in our newspapers will cause a major political crisis; or to whether hooliganism will once deprive us of a president of the United States.

- 3 -

that the Soviet-Union and Eastern Europe show a development which brings them closer to Western economies if not even societies. This convergency of systems cannot only be observed, as I have set out elsewhere³⁾, but also understood from some general theorems of welfare economics and in a way will simplify our subject. It is far less certain whether this phenomenon of growth will spread sufficiently early also to China or whether, on the contrary, the rift between the two main currents will induce China to stick to completely different policies such as have been announced in Mao-tse-tung's writings and speeches. Our assumption will be that in the next ten years Chinese policy will not work out as a major factor to our subject. This may well be one of our weak spots.

As a final introductory remark I want to submit the statement that the future of world economic relations will not be influenced to an appreciable degree by the occurrence of an old-style depression as we know it from the 'thirties. This is not to say that the beginning of such a depression might not develop. It may indeed, but we know how to handle it and how to restrict its impact on economic development.

3) Most recently in a report to be published by Professor Benoit of Columbia University. As early as 1960 the well-known sociologist Sorokin submitted a similar statement on social and cultural aspects of the Soviet society.

2. Some main problems to be expected.

Turning now to our main subject and using the information provided to us by the explorations made by several United Nations agencies and more particularly the United Nations Projections and Programming Centre of the Bureau of Economic and Social Affairs, we will find as the main phenomenon that, in the absence of a fundamental change in our policies, an increasing gap in wellbeing between developed and developing countries must be expected. This is partly due to the accelerated growth of developed economies: whereas before World War I the average rise in real national income in Western societies was in the neighbourhood of 2.5 to 3 per cent per annum, these are now developing at a rate of about 4 to 5 per cent. On the other hand, the developing countries, though not developing less rapidly than before or even than the rich countries in the 19th century, are severely handicapped by the population explosion. The rate of increase in population is now estimated to be 2.5 to 3 per cent per annum as an average for the whole underdeveloped world. This implies that an increase in total national product does not work out to the same extent as before in an increase in income per capita. In fact, incomes per capita have advanced by at most 2 per cent for the whole of the underdeveloped world during the last five years⁴⁾. This contrasts with an increase of 3 to 4 per cent in incomes per capita of the rich countries and therefore does represent the famous increasing gap in wellbeing.

At the same time, without a fundamental change in our policy, we have to expect an increase in mass unemployment which may assume a quite unprecedented size. Even if the development of developing countries can be somewhat accelerated and brought at the level of 5 per cent per annum cumulatively for the decade 1960-1970, there will be an increasing gap in wellbeing and at the same time in

4) With a so-called capital-output ratio of 3 years, an additional increase in population of 2 per cent per annum (as we now have it, in comparison to the 19th century) requires additional investments of 6 per cent of national income, virtually all of the savings made in the poorest countries, only to maintain their standard of living.

the trade balance⁵⁾ of the developing countries. Here we arrive at one of the most strategic figures which have been estimated by the United Nations Projections and Programming Centre, a figure no doubt which is going to influence all the discussions between the developed and developing countries in the next few years. The present estimate is that this so-called trade gap may amount to \$ 20 billion in 1970 and to \$ 32 billion in 1975. If anything like a quiet and accelerated development of the developing countries is to be obtained financing must be found for this gap. There are mainly two sources from which such financing can take place, the famous twins of aid and trade. The time is over where we could discuss whether it should be trade or aid. It has to be both⁶⁾. As far as trade is concerned, this will mean an extension of the import possibilities into the developed countries beyond the normal increase already taken into account in the estimates just quoted. With regard to aid it will mean an extension of aid to something close to \$ 15 billion. I am coming back to this question later on.

5) Here supposed to increase invisibles (payments for services).

6) At the same time, the Centre estimates that the gap between investments and savings will be \$ 12 bln in 1970 and \$ 20 bln in 1975. In principle this savings gap is equal to the trade gap and the question must be posed, what explains the difference between the two estimates. Evidently the assumptions made are not consistent. This may either mean that the possibilities to export have been underestimated or the possible investment levels overestimated or still other assumptions have to be revised. For the time being we may consider the two alternative figures as two different estimates of an uncertain figure.

If for a while we take both figures for granted they imply a suggestion about what portion of the gap should be bridged by aid and what portion by trade. To the extent that aid will be given, a disequilibrium between exports and imports can continue to exist, since it is made up for by the aid received. If we assume that a reasonable amount of aid is equal to the difference between the investments the developing countries have to make in order to attain the goal set for their development and their own savings, then aid should be \$ 12 billion in 1970 and \$ 20 billion in 1975. The remaining trade gap should then be covered by improved trade relations. Most experts do not see, however, how \$ 8 billion more exports or less imports in 1970 and \$ 12 billion in 1975 could ever be attained. We may therefore conclude that more aid will be needed than the difference between investments and savings. Moreover, the investment figure is based on an average growth rate of national income of 5 per cent. With a higher figure for this latter rate we would automatically arrive at a higher savings gap also and to less need for increased trade.

In comparing aid and trade we should not overlook the difference they imply for investments. While aid can be used fully to finance investments, exports cannot. Part of the income derived, directly and indirectly, from increased exports will be consumed and is not available, therefore, for the financing of investment.

In order to facilitate the appraisal of the figures just quoted I think it is appropriate to bring together a few of the other key figures which characterize the present structure of international relations and the development to be expected over the coming ten years. They will be found in Tables I and II.

Table I. The structure of current international economic relations, 1950 and 1962, in % of world trade.

		Importing country groups				Total
		Developed	Developing	Centrally planned		
Exporting country groups	Developed	1950	41	17	2	60
		1962	48	15	3	66
	Developing	1950	22	8	1	32
		1962	15	5	1	21
	Centrally planned	1950	2	1	5	8
		1962	2	2	9	13
	Total	1950	64	27	8	100
		1962	65	21	13	100

Source: World Economic Survey 1963 I, United Nations.

Developed countries: North America, western Europe, Australia, Japan, New Zealand and South Africa;

Centrally planned economies: eastern Europe, mainland China, Mongolian People's Republic, North Korea and North Viet-Nam:

Developing countries: rest of the world.

Table II. Some orders of magnitude of the development of the main economic variables, at 1960 prices, in billions of \$.

	<u>1960</u>	<u>1970</u>	<u>1975</u>	<u>Remarks</u>
Gross domestic product developed countries	920	1380	1720	Crude forecast
Gross domestic product developing "	170	261	362	Based on past trends
Gross domestic product developing countries	170	277	362	At 5 per cent ("plan") annual growth
Developing) Current payments in foreign countries) exch.	26	51	70	(Estimate by U.N. (Proj. and Progr. (Centre ("plan")))
) Current receipts in foreign) exch.	21	31	38	(
) Trade gap	5	20	32	(
Exports by industrial countries	81	.	.	
Exports by developing countries	26	45	56	Based on past trends
Exports by other prim.prod.countries	4	.	.	
Exports by centrally planned economies	15	.	.	
Net capital flow to developing countries	7.4 ¹⁾	.	.	

1) In 1964, at 1964 prices: 8.9; there are, however, interest and profit payments in the opposite direction, of the order of a few billion \$.

In the preceding figures it has already been assumed that there will be a gradual shift in the division of labour between developed and developing countries. The latter will no longer be able to specialize only in primary goods. Step by step they will have to enter the field of secondary goods, which means industrial products, starting with the less sophisticated and relatively labour-intensive ones and gradually climbing to the more sophisticated and the less labour-intensive goods. Well-known examples of labour-intensive goods are

textiles⁷⁾ and finished products in the metal sector and the Japanese position in shipbuilding provides an excellent illustration of this trend. One of the forecasts made of Latin-American imports also reflects the same evolution: imports of textiles will go down and so will, percentagewise, imports of agricultural products and paper, even if total imports from Western countries are supposed to rise considerably.

This is brought out by a forecast prepared by the Economic Commission for Latin America (ECLA) showing the following figures:

Table III. Composition of imports of Latin America from other continents, 1954/6 and 1975 (percentage).

	<u>1954/6</u>	<u>1975</u>
Capital goods	32.5	41.6
Motor cars	3.9	10.9
Steel and semi-finished products of steel	9.8	10.4
Coal etc.	6.6	5.9
Chemical products	9.8	10.0
Paper, etc.	3.2	2.4
Cotton yarns and tissues	3.9	0.0
Agricultural products	4.4	2.5
All other products	25.2	15.3

-
- 7) Recently textile manufacturers have made the point that the textile industry is no longer a labour-intensive industry. My impression is that there have always been more labour-intensive and more capital-intensive processes in that industry, with a considerably wider range of choice than in many other industries (The same applies to agriculture and to construction - maybe to all very old industries). It is natural that in Western countries more capital-intensive processes are now the only remunerative ones left over and it is wise for textile industrialists to shift in that direction. Even so the labour-intensive versions are attractive to developing countries. I see particular wisdom in the decisions of some textile firms to shift part of their production to developing countries and in the decisions of some other textile firms to introduce modern materials such as plastics as a new device.

Another very important feature of the future of world economic relations will be found in the food problem of developing countries. It is just another consequence of the population explosion and of the stagnant technology of agriculture in many of these countries, but experts of FAO as well as such independent experts as Prof. Fritz Baade of Kiel made it clear that very critical years are ahead for India, Pakistan, Turkey and a few more developing countries. In all probability it will require the full use of the productive capacity of the developed countries in agriculture to overcome the extreme scarcity of food in the coming five years. At the same time everything must be done in order to raise agricultural production in the developing countries themselves. A considerable portion of their population can hardly be reached at all, for lack of transportation facilities, by increased food imports from the richer countries.

Among the major factors which will influence the picture of economic development ten years from now will be the effect, if any, of family planning policies. It has been estimated by AID that a successful policy of this kind in the case of Pakistan may reduce by one half the financial aid needed by this country.

Finally, it needs hardly to be stressed that the biggest single question which will influence the picture of the future is the degree of optimism one can have with regard to the development potentials of the under-developed world. We all know that there is a wide divergency between optimists and pessimists among the experts. Since at this moment pessimism seems to be fashionable I venture to quote a few examples which may contribute to a more equilibrated view. First of all, I feel that in a way Japan is the example of an Asian country which succeeded to join the developed world. More convincing even may be the recent news from Pakistan. Several observers feel that some sort of a break-through is under way in this country. It is felt that some of the really effective stimuli have finally been discovered and applied. Medium-sized and large farms are in a process of rapid improvement by the combined application of irrigation from tube-wells, fertilizer from natural gas and better seeds (Mexican wheat). But also in a number of other countries there may be hidden sources of success: the effect of some long term investments and of teaching and training may still turn up. A simple example is the Aswan High Dam or the possible effect

- 10 -

of training in many countries if we think of how this worked out in the Soviet Union. In a number of countries it looks as if a young generation of national civil servants and managers with a Western education comes to the fore with a real promise in them. It also seems that the Peace Corps idea is able to make a real contribution to one of the biggest problems: the one of influencing directly the rural small-scale entrepreneur.

For the time being, however, the effects of all possible positive factors have been definitely disappointing and it seems realistic to take this as our starting point. The total effect of development policies so far observed does not guarantee at all that the big threats mentioned at the outset of this section can be met if we continue to behave as we do. A fundamental change in policies is needed. If the West is wanting to play a certain part in the future development of the world at large, it will have to increase substantially its contribution to the development of the developing countries.

The guide line for our policy must be to reduce the gap in per capita incomes between rich and poor countries. This requires a rate of growth in national incomes of developing countries surpassing the rates of the last decade and tending to figures of 7 per cent per annum until the population explosion will be more under control. Some of the possible contributions will be discussed in the next section. That section, then, will be an attempt at contributing to policy decisions rather than to simple forecasts; that is, to the second approach to the future mentioned in the introductory section of our paper.

- 11 -

3. Some solutions within reach.

In an attempt to remain realistic I am concentrating in this section on a number of policy changes which I think are technically possible and psychologically acceptable to the Western world. Even so, they will only be applied if a sufficient understanding exists of the urgency of the problems facing us. Contributions to overcome the menace set out in the previous section will have to be made by the developed countries as well as by the developing countries. For politicians with a minimum of imagination and with a sense of responsibility for our future generations it must be possible to convince their electorate of the necessity and feasibility of the set of measures listed below.

The first contribution the developed countries can make in order to facilitate the development of the low income countries is the reduction of the foreign exchange pressure by an extension of financial aid to the developing world. I already mentioned the amount of \$ 15 billion which I think should be our aim here, to be attained in a few years. To be sure, this is a net figure and it should be accompanied by measures to reduce or at least stabilize the repayment obligations of the developing countries. The additional financial aid implied is of the order of some \$ 7 billion and can partly be made automatic by the introduction of deficiency payments to primary producing countries, comparable to what Western countries pay to their farmers. Such payments may be linked to some general index of the terms of trade, with a view to maintaining the capacity of the developing countries to import originating from their exports of primary commodities. To be sure, such payments should not be made available to the individual producer but to the governments of the countries concerned for the financing of their imports of capital goods. Another automatic portion may be handed over to the developing countries on the basis of the creation of new international liquidities the need for which is now generally recognized. While creation of these new liquidities may be organized by a more restricted group of countries, a portion of those liquidities might nevertheless be made available to developing countries. The remaining part of the \$ 7 billion could be disbursed in roughly the same way as is done at present, or rather with increased emphasis on IDA disbursements. It is interesting to mention, in passing, an analysis made by Professor Hollis B. Chenery, now of Harvard Univer-

sity, showing that it is a direct interest of the rich countries to step up financial aid right now because this will reduce the need for aid in the future.⁸⁾.

The second contribution by the West to reduce the foreign exchange pressure of the developing countries may consist of more liberal trade policies. Particularly with regard to products which in the future will be the "natural" products of the developing countries. I already mentioned textiles and agricultural products. We must accustom ourselves to less protection especially in the field of agricultural products directly competing with products of the developing countries. Examples are sugar and fats. Apart from being an important contribution to the solution of a world problem reduced protection will simply be also in the interest of Western consumers. With creeping inflation as a permanent problem this instrument must be given more emphasis than it has received so far. Of course, difficulties will arise, but in a situation of over-full employment we should not be too afraid of facing some of these difficulties which actually may be a blessing in disguise.

A third contribution the West can make is to cooperate more positively in the establishment of stabilization schemes for some primary products. Not too much should be hoped from this type of policy, but among the instruments to be applied, buffer stocks can be recommended without reserve. I do not think that complicated schemes of regulation of imports, exports and prices are commendable but the operation of buffer stocks does not require such complicated schemes. They may be set up for coffee, cocoa, sugar, and rubber⁹⁾.

-
- 8) In a public lecture given at the Pakistan Institute of Development Economics, Karachi, 18 December 1965.
- 9) The case for buffer stocks has been eloquently made in the "Haberler report" of GATT (Trends in International Trade, Geneva 1958).

A fourth contribution of the West may consist of increased activities of Western business in developing countries. I am thinking of a deliberate shifting of labour-intensive industries to developing countries. Some interesting activities are already under way, tending to shift parts of the textiles and clothing industries to such countries. Similarly, shipbuilding and some comparable industries may also be shifted. These activities of the private sector need support from the authorities, especially by the introduction of an international insurance scheme against political risks. As is well known such a scheme is in preparation but has not come forth so far. The business community will also need some guidance in the field of market analysis from more elaborate studies in this field to be undertaken by some of the new United Nations institutions, for instance the Projections and Programming Centre and the United Nations Organization of Industrial Development (UNOID).

A positive co-operation with these agencies would be the last and fifth example I would like to quote of the efforts within reach to be undertaken by Western countries. One might call this "planning at the world level" if planning is to be understood in the somewhat looser way we nowadays prefer. I am happy to add that the Dutch government has understood the need for an intensification of this planning work and offered a special grant of \$ 1.4 million to the United Nations for this purpose.

As already observed it is clear that also the developing countries will have to play their part. It should not be forgotten that several of them do already make important efforts and that, as a rule, the larger part of investment and training anyway takes place within the developing countries. Yet, there is scope for intensified activities in all fields, especially in the field of training, of the improvement of efficiency, the elimination of red tape, the westernization of tax policies, and so on. Special mention may again be made of the need for population policies aiming at a reduction in the rate of growth of population.

Finally a helpful contribution on the part of the developing countries might consist in a clear announcement of the sectors of industry which they consider an appropriate field for private activity. Each government is autonomous

- 14 -

in its preference for public activity in some sectors, but the damaging element around this question is often the uncertainty existing about which sectors are considered the appropriate field for public and which others the field for private activity. Elimination of this uncertainty will be a useful step to both parties involved.

These, then, seem to be most important items on any agenda for the future of international economic policy. I am aware that I am not making any novel contribution to what has been said about this subject. Unfortunately, the need for "frapper toujours" seems to be characteristic of this field as much as of so many other fields. The one thing I would like to add is that we have, in my opinion, no alternative.

J. Tinbergen

ANNEX.

Percentage official development aid of the main aid-giving countries.

Countries	I	II	III
Italy	39,186	62.3	0.16
Canada	35,419	93.4	0.26
Japan	56,506	171.7	0.30
Netherlands	12,923	59.2	0.46
Germany, Fed. Rep. of	78,480	436.0	0.55
United Kingdom	73,245	440.8	0.60
Belgium	12,240	83.2	0.68
U.S.A.	528,287	3,696.0	0.69
France	67,291	887.1	1.32

I = Gross Domestic Product at Factor Cost in 1963 (millions of U.S. dollars).

II = Average Flow of Long-Term Official Resources to Less Developed Countries and Multilateral Agencies, 1962 - 1964 (Disbursements, millions of U.S. dollars).

III = Official Development Aid in Percentages of Gross Domestic Product.

Calculated from: I : Yearbook of National Accounts Statistics, 1964.
(United Nations, 1965).

II : Development Assistance Efforts and Policies, 1965 Review.
(O.E.C.D., 1965).

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE
UNITED NATIONS PLAZA AT 46TH STREET NEW YORK 17, NEW YORK CABLE ADDRESS INTERPAX OXFORD 7-3131

15 March 1966

To the American Participants in the
1966 Bilderberg Meeting

From: Joseph E. Johnson

The enclosed material may be of interest to you in
connection with the second agenda item.

Enclosures

*Mary
for my folder*

From the Collection of
THE HON. FRED HARRIS

Collection _____ Series _____ Box 30 Folder 31



INTERNATIONAL FINANCIAL NEWS SURVEY

Vol. XV, No. 9

• INTERNATIONAL MONETARY FUND •

March 8, 1963

Compensatory Financing of Export Fluctuations

By a decision which is immediately effective, the International Monetary Fund has created a new facility designed to broaden its support for the balances of payments of member countries—particularly those exporting primary products—that experience temporary declines in their export earnings due to circumstances largely beyond their control.

Many Fund members encountering such difficulties have turned to the Fund and have worked in close cooperation to overcome their problems. Under its established practices the Fund has been able in the past to finance deficits resulting from declines in export earnings, and frequent drawings have been made for this purpose. The new facility, which would not normally exceed 25 per cent of a member's quota, would be available to members provided that the Fund is satisfied that the shortfall is of a short-term character largely attributable to circumstances beyond the country's control, and also that the member country will cooperate with the Fund in an effort to find, where required, appropriate solutions to its balance of payments difficulties.

The Fund will be prepared to authorize drawings under the new facility even if this should require a waiver, under the Fund's Articles of Agreement, to increase the member's outstanding drawings above the limit of 125 per cent of the member's quota. The decision also deals with the possibility of raising quotas

for certain primary exporting countries, particularly those with relatively small quotas, to render the quotas for these countries more adequate in the light of the fluctuations in their export proceeds and other relevant criteria.

In May 1962 the Fund was invited by the United Nations Commission on International Commodity Trade to examine the extent to which the Fund could play an increased part in compensatory financing of export fluctuations of primary exporting countries. The Fund's decision is contained in the conclusions of a report on "Compensatory Financing of Export Fluctuations" now being transmitted to the United Nations in response to this invitation. In this report it is recognized that, in addition to short-term assistance, long-range action is required to improve the economies of primary exporting countries, by these countries themselves as well as by the industrialized countries. Primary exporting countries will need ready access to the markets of developed countries and sustained technical and financial assistance. The Fund can make a valuable contribution in helping to establish a climate in which appropriate long-range measures can be effectively pursued.

Source: International Monetary Fund, Press Release, Washington, D.C., March 5, 1963.

MAR 2 1966

CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

UNITED NATIONS PLAZA AT 46TH STREET NEW YORK 17, NEW YORK CABLE ADDRESS INTERPAX OXFORD 7-3131

25 February 1966

To the American Participants in the
1966 Bilderberg Meeting

From: Joseph E. Johnson

Enclosed herewith are the "Notice to Participants" and the Provisional List of Participants, which were not yet available when the other material was sent to you last week.

I am also enclosing a copy of a speech by David Rockefeller, made at the International Industrial Conference in San Francisco last September, which seemed to me relevant to the second item of the agenda for the forthcoming Bilderberg Meeting.

D....."

Enclosures

and worthwhile
ate. I feel
d me an op-
week, to study
teresting pro-
s that some very
old in the round
ersonally.

All that has been
fficient tribute

to the insight, intelligence and dedication that have been so evident on the part of so many who are here. Regretfully, I do not. However, instead of an oratorical accolade, I am sure it will be more meaningful to all these out-

MAR 2 1966

Address by David Rockefeller
President, The Chase Manhattan Bank
At International Industrial Conference
San Francisco, September 17, 1965

".....THE ASPIRATIONS OF MANKIND IN A TROUBLED WORLD....."

This conference has been an exceedingly stimulating and worthwhile experience for all of us who have been privileged to participate. I feel especially fortunate in my own assignment, for it has afforded me an opportunity to review the excellent speeches we have heard this week, to study the fine position papers that were prepared and the highly interesting proceedings of the various panels, as well as to read the reports that some very competent rapporteurs wrote on the fascinating discussions held in the round table study sessions, some of which I was unable to attend personally.

I wish I had the time to relate to you in detail all that has been said here this week, and I wish I had the eloquence to pay sufficient tribute to the insight, intelligence and dedication that have been so evident on the part of so many who are here. Regretfully, I do not. However, instead of an oratorical accolade, I am sure it will be more meaningful to all these out-

standing people if we take their contributions to this conference to heart and express our understanding and appreciation of them in our future actions.

The conferences of four and eight years ago led to a number of subsequent proposals and initiatives which have been very concrete and worthwhile. We can be sure that the splendid caliber of the discussions this year will prove similarly fruitful.

In a sense, perhaps the most significant theme that emerges from our deliberations is that we have not really said much that is startlingly new. There have been some shifts of emphasis. Positions have been refined, problems have been put into sharper focus, and possible solutions have been more fully delineated. Yet, most of the questions with which we struggle today intruded upon our consciousness some time ago, and our answers today retain a measure of the uncertainty and controversy that they had in our previous meetings.

This means, first, that we are facing stubborn facts that will not disappear merely because we wish it. We are not imagining the perfect world of our dreams, but are wrestling with the very imperfect real world. It means also that we have no smug surety of success, no false overconfidence in our own abilities. We recognize that in some instances our response to the challenges of our time has not always been adequate; that many old difficulties persist in new forms; that all of us must redouble our efforts, if the aspirations of mankind are to triumph in a troubled world.

Our common acknowledgement of the pressing need to improve our performance is an encouraging sign, for if necessity is the mother of invention, then it may truly be said that dissatisfaction is the father of progress.

Our discussions have encompassed such a broad and diverse array of subjects that they cannot be compressed into a neat capsule statement. Nevertheless, it seems to me that they lead to three fundamental conclusions.

First, we must act on several fronts with a sense of accelerating urgency.

By the end of this century, according to some statisticians, the population of the world may be twice what it is today. Of course, the statisticians could miscalculate to some degree. Unquestionably there will be a tremendous population increase, and it could well be too great for us to control. The most spectacular growth will take place in those developing nations which are already the least able to offer their peoples the basic amenities of life. In contrast, food production is likely to increase at a slower pace, and the yield of nature's bounty will advance most slowly in precisely those areas where there will be more people to feed.

This highlights what may well prove to be the central concern of our era: the expanding gap between rich nations and poor nations. Aside from the basic factors of plain compassion and farsighted self-interest, these problems compel our attention because of the readiness of the communist nations to exploit human tragedy. Moreover, the greater communication and exposure among the countries of the world, have spurred the forces of impatience, so that the man who accepted a half-filled stomach as his own lot in life, will not accept it as the inevitable fate of his child. On the other hand, while we have revealed the promises of development, we have not been so successful in imparting the lessons that

underlie its accomplishment. In many areas there is, I fear, what we might call a revolution of unfounded expectation. It is characterized by the illusion that mere expectation produces achievement -- ignoring natural endowments, practical attitudes, realistic policies and plain hard work.

Of course, it is not only the plight of underdeveloped lands which is characterized by heightened urgency. In our most industrialized nations as well, we confront problems of increasing scope and perplexity. Growing investments in research and development are paying enormous dividends, and there is reason to believe we are still on the threshold of technological advance heretofore undreamed of. But already we find changes and complications that we are not yet quite prepared to cope with.

We have not yet learned to manage, with sufficient dispatch, the economic dislocations and shifts in employment patterns that are caused by the new technology. We are far from having found adequate solutions to the pressing demands for new managerial techniques and the creation of those expanding markets which our increasing productivity requires. We have not yet channeled a proper measure of our growing leisure time into those pursuits which truly enrich and ennable man. The evolving relations between government and private enterprise remain to be fully appreciated, and the stresses on both domestic and international monetary and fiscal policies leave us with serious and unfinished business. These, and a host of other problems, are compounded by our rapid advances in scientific discovery and technological innovation.

The demands for stamina and resourcefulness are unending. Yet somehow we must all manage to keep in step, for if we break ranks, this brave, exciting and potentially most rewarding march toward a better tomorrow will flounder in chaos.

A keynote that has sounded throughout this conference is this sense of urgency in tackling the ancient problems and the new troubles that beset us. None of us is an alarmist, but we all seem to recognize that the clock runs against us. Perhaps there was a time when man could be content just to endure. Today he must show -- and show soon -- his ability to prevail.

The second major conclusion that emerges from our discussions is that we must act more imaginatively.

Many of our problems today have been with us for a long time, but certain aspects of them are still so relatively novel to human experience of the past that traditional approaches will no longer serve our purpose. I do not mean to imply that many of the fundamental precepts which have guided our conduct in the past are not valid and applicable today. Indeed, I think it is of the utmost importance that we do not permit the new shape of our challenges to obscure the continuing value of the lessons of the past. Rather, it is our task to up-date those lessons, to adapt them, and to direct them to the solution of contemporary difficulties.

ture.

This sort of imagination calls upon all of us, in this multi-national gathering, to understand that, no matter how different our countries or how diverse our conditions, we are embarked on a common voyage and we share both our apprehensions and ambitions. We have entered upon an era in which interdisciplinary cooperation on a worldwide basis must be the cornerstone of accomplishment. Each of us has the duty to fashion his own contribution to fit the grand design of a global community.

It is significant, and I think it is not an exaggeration to observe, that the overwhelming majority of those attending this conference -- and I believe it to be an international assembly^A of business and financial leaders of unprecedented distinction -- are all convinced that the driving force of our progress on many fronts should be the competitive inter-play of our free enterprise system. The paramount aim of international economic cooperation is to delineate the problems, to establish the framework and to proclaim the rules that guide a competition of private, free participants in an endeavor in which everyone can be a winner.

The developing nations are in desperate need of investment capital, of the responsible exploitation of their resources, of building infrastructure, of educating their people for a meaningful role in the modern world, of upgrading their essential agricultural base, of endowing all their inhabitants with the freedom, dignity and material blessings worthy of mankind. To do this, they must be able to count on help and support from the industrialized nations, but they themselves must act imaginatively and realistically.

history has taught us, and there is no better illustration than the United States of the Nineteenth Century, that foreign capital is essential to rapid development in an emergent country.

There must be a greater awareness of where the legitimate responsibilities of government should be concentrated and where the creative involvement of private enterprise can reach its fullest fruition. There must be a unification of national purpose that makes for political stability and an acceptance of those stern disciplines which make for economic confidence.

There must be an example of uprightness, enlightenment and selflessness in the leadership elements, and a determined rejection of the easy evasions of demagoguery. New social, political and economic attitudes must be formulated, and basic to them all must be the extension to every individual of an equal opportunity to compete. For in free and responsible competition, the furtherance of individual ambition also becomes a contribution to the commonweal.

In the more industrialized nations, there is not only the moral obligation to assist those neighbor lands which have entered late upon this era of phenomenal economic advance, but a self-interested need to expand their sources of raw materials and their worldwide markets. Among other things, this calls for an increasing investment abroad in subsidiaries, affiliates, joint ventures and other forms of private enterprise. And one of the wonderful attributes of capitalism is that these investments will prove immensely beneficial to both the host countries and to the companies that put their capital to work within their borders.

However, we must bear in mind that, just as the host nations must adopt certain enlightened policies in order to make these investments pos-

sible and productive, so equally must the private companies which make investments abroad. Most assuredly they should aim at profitable operation, for the essence of capitalism is mutual gain, not one-sided philanthropy. But they must also show an understanding of the need for economic planning; a sensitivity to local attitudes, mores and business practices; and an appreciation of national pride and ambition.

These considerations lead me to one of the main points that has been reiterated in many speeches and discussions of this conference; the amazing growth of large multi-national companies and the heightened incentive for even some smaller companies with local markets to adopt an international orientation. This development is beginning to permeate many aspects of business thinking and must necessarily influence our ideas about sound management. The good manager of today and tomorrow, whether in an industrial or developing nation, must have a command of language that extends beyond his native tongue; an outlook that crosses his own national boundary; an adaptability and flexibility that will permit him to apply the values of traditional experience to the novelty of new challenge; and a fuller measure of that elusive, but crucial quality of leadership that gives inspiration, incentive, guidance and personal recognition to his many and varied associates.

This demand for a new and imaginative type of management is not necessitated by just the increasing international complexion of business. The fantastic speed of the computer, the flood tide of electronically processed information, the complexity and intricacy of modern business require the manager of today to give more meaningful and explicit direction to the handling of routine business, while permitting him to devote even more time and talent than before to problems that call for foresight, planning, and real creativity.

One of the foremost tasks we shall face in the future is the building of sufficiently competent, broad-gauged and imaginative leaders of business. It is they who will largely shape our response to the demands of our time. They must feel a responsibility to society which goes beyond the maximizing of profits for their shareholders. As leading citizens in their communities, they must have a hand in the affairs of the nation and the world. Thus private enterprise must commit itself to an unremitting effort to identify, recruit and train the very finest management available.

It will be the assignment of this management to come up with imaginative answers to the problems of investment and development, as well as to draw new patterns of global trade. For many of us, the marketplace of tomorrow will be no less than this whole planet of earth. We must make sure that this trade is mutually beneficial, not one-sidedly exploitative; we must insist on international balance, as well as a balanced development within individual countries; we must be certain that it helps preserve the proper interests of all the manifold segments of our domestic and worldwide societies.

In addition to the sense of urgency and the truly creative imagination with which we must confront our problems, I discern one more common conclusion of this conference.

The third conclusion is that we must act with greater responsibility. There are numerous areas in which we have concluded that more responsibility on the part of business leadership is imperative. One area of great importance is that of communication. In the judgment of many of us, it is especially vital that we tell the story of the real role of private capitalism in the development of emergent nations in a manner which is understandable, effective and convincing. If this is done, hopefully the new nations themselves

will respond with objectivity and will help us get the message across through their educational systems which presently have a very different orientation in many countries.

To do right is basic, but if in the process we permit the public to believe that we are doing wrong, we have lost half the battle and can be accused of neglecting an essential element of our job.

Misunderstanding about the role of private capital is partly due to inattention on our part and partly to a carefully planned campaign by those who seek to destroy free enterprise. It is up to us to counter the insidious and antiquated Marxist line that free enterprise is a predatory system. All of us in the business community have a particular obligation to develop a relevant, accurate and cogent message about Twentieth Century capitalism and the opportunities it presents.

Having developed that message, it is our responsibility to distribute it effectively, especially to gain the understanding of the opinion-shapers of the new nations -- the businessmen, government officials, labor leaders, the professors and students in the universities. And, having developed and distributed our message, it remains our continuing task to give it credence through action. Let us never be deluded into the mistaken belief of our opponents that propaganda can be a substitute for performance.

There is growing evidence that both the governments and the companies of the industrial nations are acting with heightened responsibility in the developing nations. They are showing a flexibility, an adaptability to local conditions, a willingness to compose differences and concert activities that were not always evident in the past. Likewise, more realistic and positive attitudes are coming to prevail in the emergent nations, and these foreshadow

an era of increasingly fruitful cooperation. These are trends that must continue, if our common cause is to triumph.

The growing interdependence of nations, their inextricable involvement in each other's affairs, their expanding arena of common activity and mutual concern, all demand that we join together in seeking solutions to the trials and travails of our times. The 1960's were initiated with the optimistic proclamation that this would be the great decade of development. We all hope it will be, but much progress is still to be made, if such a promise is to be fulfilled.

We must, therefore, proceed with an extraordinary sense of determination and responsibility, for no less than the future of the world will swing on the hinge of our conduct. In all of our international dealings -- whether they relate to investments, trade, development, monetary policy or other aspects -- we must act with the selflessness of enlightenment, the courage of restraint, the boldness of imagination, the deliberateness of understanding and the speed of anxiety. It is, indeed, a taxing catalogue of challenges that confronts us.

Amazing new advances must, and unquestionably will be, made in agriculture, bio-medicine, oceanography, space exploration, computer sciences and a score of other sophisticated endeavors. But nothing less than spectacular achievement in these fields, and others, will permit us to meet our manifold requirements -- the needs for more food, more energy, more industrialization; the necessities of improved education, improved communication, improved opportunity for individual effort; the undeniable demand for a tremendous transformation in our thinking and in our allocation of resources to meet the requirements of an increasingly urbanized and industrialized world.

And, in the course of these many activities, there will inevitably emerge unexpected ramifications. What we do will manifest itself in ways that we cannot foretell, and it will have an unforeseen impact upon individual lives and whole societies. But we cannot shirk responsibility for our actions, merely because the results were not exactly what we intended. The recognition of this responsibility forms the very core of our modern concept of corporate citizenship. That concept must not become an idle cliche, but must be practiced as a living faith.

We face so many baffling problems that the most stout-hearted among us could become discouraged. I have by no means been able even to touch on all of the problems that have been discussed here during the past week. But with great problems there are linked exhilarating opportunities in equal number. Thus, I do think it would be accurate to state that the dominant theme of our sessions is simply this: we must all act with more intense urgency, with greater imagination, and with renewed awareness of our responsibilities.

In my judgment, there are two other aspects of this International Industrial Conference that deserve a special word. One is the fact that the conference is truly international in its nature; that it signifies our irrevocable commitment to close cooperation in an indivisible world. The other is that we do not come here as members of any delegation, representatives of any bloc, or spokesmen of any political ideology. Rather, we gather simply as a group of individuals having in common their involvement in business and finance.

In all the aspirations we hold and all the actions we undertake, let us never forget that our pre-eminent purpose is to elevate, enhance and enrich the economic and spiritual condition of the individual in this world. It is

the dignity, the decency, and the enduring supremacy of the individual life that must give ultimate worth to our labors.

And that life will take on meaning only if it becomes the eloquent expression of our spiritual, as well as our material heritage; only if it gives dominion to all the kind and gentle impulses in the nature of man; only if it nurtures our capacity for comradeship; only if it frees the spirit to dream, and opens the mind to the wonders of learning, and holds the heart enshrined in love. This is the life which should be the reasonable aspiration of every man. Its hope should be his birthright, and its fulfillment his legacy.

Human endeavor cannot reach for a more noble goal, and I am proud to have been associated in this conference with so many men who are devoting themselves so unstintingly to this great quest which beckons us all. We have come together from many distant parts, representing many diverse origins, and carrying with us many different faiths. Yet, however each of us may interpret it, I think we can all find meaning and value in one simple phrase which, to me, sounds the keynote of our common purpose:

What we are is God's gift to man;

What we become is man's gift to God.

* * *